

Why VGM Group, Inc., should be ESOP Company of the Year

Since becoming 100 percent employee-owned in 2008, VGM Group, Inc., has excelled financially and thanks in part to its ESOP Communications Committee, has integrated the culture of ownership into its growing 600-plus employee-owner workforce. It's also been named one of Iowa's top workplaces by the Des Moines Register in 2011 and 2013.

The numbers tell the story:

- In the six years since the transaction to 100 percent ESOP, average financial performance as measured by EBITDA, is 90 percent higher than the six years immediately preceding the 100 percent transition.
- The six years following conversion to 100 percent ESOP are individually the six best years of financial performance in the company's 27-year history.
- Value of the company, excluding the impact of debt related to the 100 percent ESOP transaction, grew a cumulative 110 percent in the five years after the 100 percent ESOP transaction.
- Revenues, profits and valuation all grew appreciably faster after the 100 percent ESOP transaction, and it should be noted that the company was very successful before the ESOP.

VGM Group, Inc., reinforces the concepts of employee-ownership throughout the year with many events planned by its active ESOP Communications Committee.

The annual highlight, and the event at which one truly feels like an owner, is the June shareholders' meeting, which has taken place at Sunnyside Country Club. (Because of employee-owner participation, a larger venue will be required next year.) Associates and their spouses enjoy dessert and presentations by winners of the "What ESOP Means to Me" essay contest, but the absolute highlight of the evening is when the stock price is revealed.

Everyone in the room stares raptly at the video monitors and realizes that their hard work has paid off handsomely. Never have bar charts been the cause of so much applause. The "big reveal" is made during the CFO's presentation, during which he alternates between professor and preacher, explaining and evangelizing the gospel of ESOP. It's truly a time for celebration. (Associates who work out in the field receive a copy of the presentation on DVD.)

VGM actively participates in the Iowa-Nebraska Chapter of The ESOP Association. Ryan Ball, a member of the ESOP Communications Committee and VGM Government Relations' director of state policy, has raised the profile and agenda of ESOPs at both the Iowa State Capitol and in Washington, D.C. Working with the chapter, VGM helped lobby state and federal officials in 2012-13, which resulted in a \$500,000 grant to those seeking to become an ESOP company in Iowa.

VGM's creative department has donated time to create the lobbying materials that the Iowa/Nebraska Chapter has used during the past two years. VGM has an active government relations department and strong relationships with state and federal elected officials that we use to promote the advantages of employee-owned companies. Governmental updates are provided to the executive committee when appropriate.

Many members of the ESOP Communications Committee attended the ESOP Association Chapter Winter Conference, at which they shared VGM's events and experiences, and appreciated the opportunity to learn from other companies. They also attended the September Midwest Regional conference.

VGM has created its very own online "eCash" program. Associates may "earn" eCash for participation in ESOP-related events, and in turn, may use it to purchase logoed items and apparel. Many in the company, including senior management, routinely wear VGM ESOP -logoed shirts .

VGM participates in the annual ESOP poster contest. Associates may submit their tagline via our Intranet; the winner is chosen by the ESOP Communication Committee. That individual receives \$50 in eCash and works directly with a VGM Creative designer to see their vision come to life. This year's winning tagline was "The path to our future is lit by our success." The poster graphics are used throughout the year on assorted internal ESOP materials, and the company "gallery" of winning posters is located in a visible location near the associates' library and Internet Café. VGM also has a lending library of ESOP publications that are easily accessible and may be checked out by those who wish to learn even more about employee ownership.

The company Intranet has a detailed section on the ESOP plan, the eCash Rewards Program, a listing of the communications committee members and a copy of the 2013 shareholders' meeting presentation, which was also made available on DVD and mailed to those who work outside corporate headquarters.

Throughout each year since 2008, the ESOP Communications Committee has sponsored social – educational events that help reinforce the concept of employee ownership. This past year featured:

March: Eggs and ESOP, at which the committee serves (E)ggs, (S)ausage, (O)range juice and (P)otatoes; while waiting to be served, associates view informational posters with financial data and facts about VGM's more than 25 business units.

May: On May Day, the Communications Committee and the Events Department assembled and distributing "May baskets" filled with trail mix.

July: "Rally for the Cause" continued our founder's long-standing relationship with North Star Community Services, a local agency that provides services to people with disabilities. Carnival games helped raise money for the agency, and hot dogs were grilled. North Star representatives attended to help with the games. The rally and other events helped to raise more than \$70,000 for North Star, continuing our company's history of community involvement and service.

September: New ESOP Eligible Employee-owner luncheon, featuring members of the board of directors speaking, certificates and 100 percent vested stickers that are placed on associates' name plaques. Each new owner signs the ESOP inductee poster.

October: Theme for ESOP Month was ESOP Olympics, and a variety of weekly activities occurred throughout the month.

Week 1: Communications Committee conducted the opening ceremony, visiting 30 different divisions and presenting them with a blank piece of paper to construct a flag representing their business. The ESOP Poster tagline contest began; eCash could be earned by making an online submission on our Intranet.

Week 2: VGM trivia related crossword puzzle available on Intranet; entrants receive eCash.

Week 3: Customer Appreciation Week, during which each associate received a coupon that read "Thank you for all you do! Have your cake and eat it too!" A cupcake company truck made an on-site visit to give each associate one free cupcake.

Week 4: Olympic and ESOP word find was available on Intranet; entrants receive eCash.

Week 5: Closing ceremonies at which company flags were judged and hung in the "Olympic Village." Entrants received gold, silver and bronze awards. The gold division winners were awarded \$5, silver division awarded \$3 and bronze awarded \$1 in eCash for every associate. Office "olympic" games were played and red, white and blue yogurt parfaits were served. Pictures of the events and winners were posted throughout the month on our Intranet, ESOP Communications Committee Facebook page and in the company's monthly newsletter.

VGM Group Inc.'s highly successful transition to a 100 percent employee-owned company is not only reflected in its bottom line. The Des Moines Register's awards were based on a scientific survey to which more than 90 percent of our workforce responded to questions about their jobs, morale, working conditions and more. Turnover throughout the company is relatively low. Participation in company/ESOP-sponsored events is high. It is for these reasons and the more than 600 employee-owners that we believe VGM Group, Inc. should be ESOP Company of the Year.